HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Hamilton and Brantford CMAs

CANADA MORTGAGE AND HOUSING CORPORATION

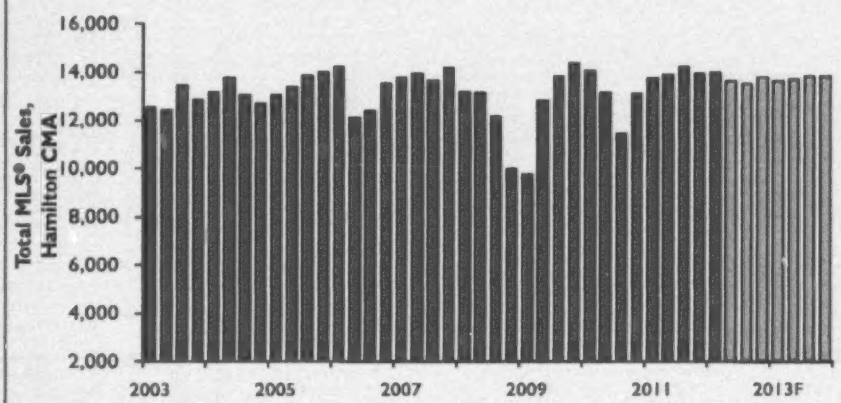
Date Released: Spring 2012

Market at a Glance

- Migration and affordability will support housing demand in the Hamilton and Brantford CMAs.
- MLS® sales to remain steady, but new listings will trend lower in 2012 before rising in step with stronger economic and employment conditions in 2013.
- Higher prices for single-detached homes will mean more higher-density low-rise and high-rise starts into 2013.

Figure 1

Hamilton's Resale Home Sales Steady



Source: CREA, CMHC forecasts

*The forecasts included in this document are based on information available as of April 27, 2012.

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Resale Market

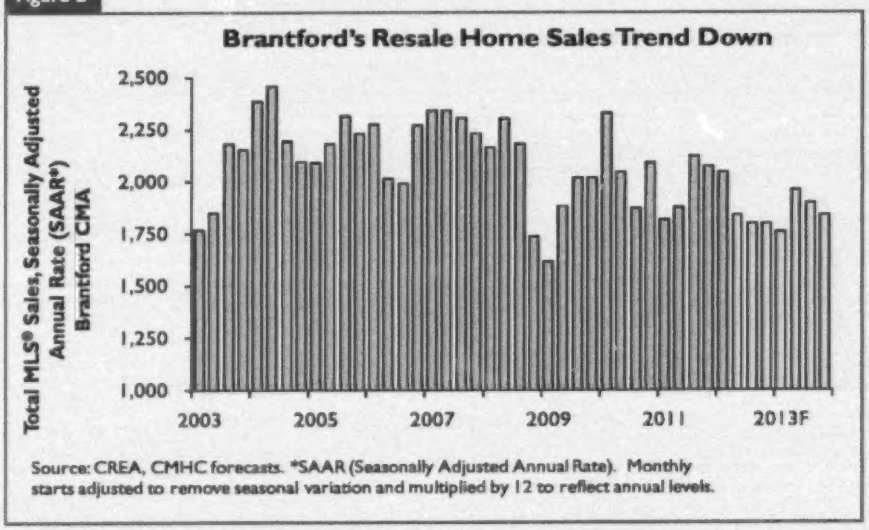
Migration supports home buying demand

Home sales are expected to ease on a seasonally adjusted basis after the first quarter of 2012. Fewer listings and less accommodating mortgage market conditions for some first time buyers will restrain sales from moving much higher. On the upside, sales will be boosted by in-migration to these relatively more affordable markets. In the Hamilton CMA, buyers will continue to move in from the more expensive resale markets in the Greater Toronto Area ("GTA"). Hamilton's proximity to an expensive GTA market will allow housing activity to hold up better versus other more expensive Ontario centres in 2013.

Affordability attracts buyers

Buyers from Toronto interested in single-detached homes and townhouses, which have been rare to find in Toronto, will support demand for these housing types in Hamilton. Hamiltonians are also adapting to a low-maintenance life-style, as smaller townhouses (both freehold and condominium) will continue to be in demand by first time buyers and some downsizers. Similarly in the Brantford CMA, some buyers from the more expensive surrounding markets will migrate to the City in search of a more affordable lifestyle. In addition, the growing housing needs of the local post-secondary education institutions will continue to attract investors to the downtown area. The downtown area of the City of Brantford has become a haven for investors, and properties in the southwest and north end of Brantford continue to attract buyers looking for less expensive housing options.

Figure 2

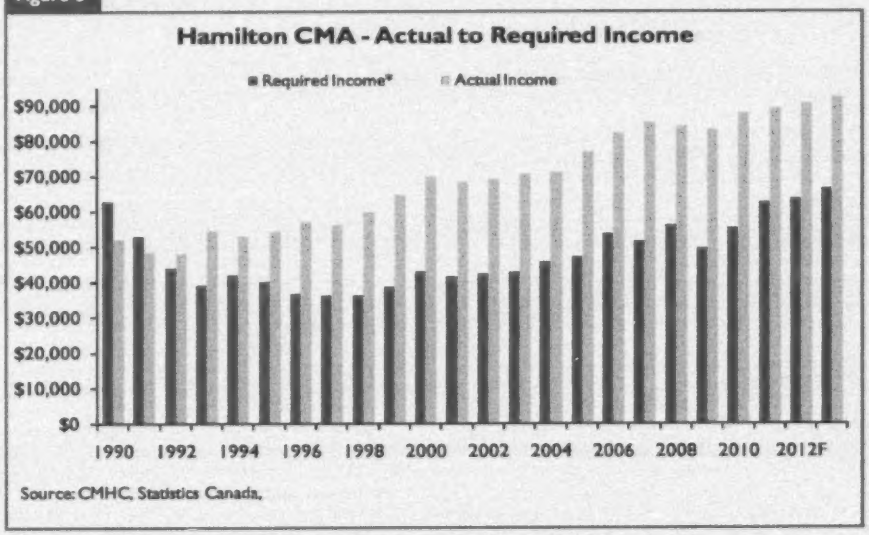


Source: CREA, CMHC forecasts. *SAAR (Seasonally Adjusted Annual Rate). Monthly starts adjusted to remove seasonal variation and multiplied by 12 to reflect annual levels.

Lower number of listings

While sales remain steady in both markets, buyers will continue to face a shortage of product to choose from, as compared to the availability of homes on offer in 2011. Listings of condominiums (townhouses and apartments) in particular are down in the Hamilton CMA, according to the Real Estate Association of Hamilton-Burlington. Despite steady sales and steeper price increases

Figure 3



Source: CMHC, Statistics Canada.

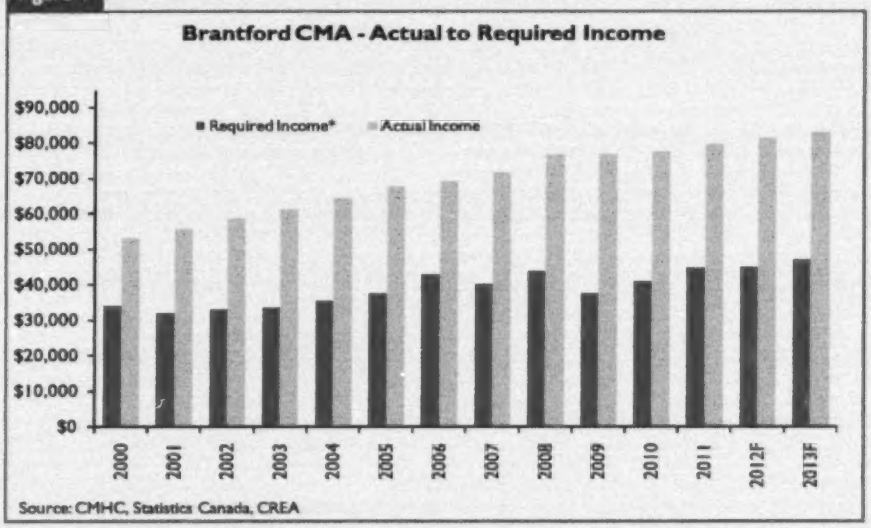
* Required Income is mortgage carrying costs divided by 0.32 to reflect the usual 32 per cent gross debt service ratio. Mortgage carrying costs are calculated on 10 per cent down payment, the fixed five-year mortgage rate and the longest available amortization for a mortgage loan.

for this segment of the market, a decline in listings suggests that fewer homeowners of townhouses and apartments are moving up into bigger homes. Additionally, given the wave of people moving in from the GTA, many of them would have sold their homes in the GTA or would have rented, and thus would not be contributing to the number of listings in the Hamilton CMA. In the Brantford CMA, competitive offers for homes priced around the $200,000 mark indicate these homes are in demand, while more expensive product is not moving as quickly. Average new listings in the Hamilton CMA will decrease by approximately nine per cent in 2012 to 19,000 homes. In the Brantford CMA, listings will fall slightly be approximately two per cent to 3,250 listings. It is important to note, however, that listings reached peak levels in both markets in 2011, and thus a drop in listings this year would put the forecast within the range of the past five years.

Moderate rise in price

Rising home prices in the Hamilton and Branford CMAs continue to lead to a decline in affordability. The gap between the average required income to own a home compared to the average actual income in Hamilton is narrowing, as a result of higher home prices. This has in turn prompted some first time buyers to purchase townhouses and condominium apartments, rather than their initial choice of a single-detached home. The trend is expected to continue through 2012, and an increase in the share of lower-priced product

Figure 4



* Required Income is mortgage carrying costs divided by 0.32 to reflect the usual 32 per cent gross debt service ratio. Mortgage carrying costs are calculated on 10 per cent down payment, the fixed five-year mortgage rate and the longest available amortization for a mortgage loan.

(including smaller single-detached homes) being sold will have an impact on the overall average price of a home sold in the resale market. The average price in the Hamilton CMA is forecast to rise to $341,000 in 2012. In the Brantford CMA, home prices in the resale market reached peak levels in 2011, and pulled back slightly in the first quarter of 2012. Demand for resale homes in the City of Brantford has been of interest to buyers in recent years due to the growth of the post-secondary institutions in the downtown area. However, a slow economy producing few jobs and modest growth in incomes will lead to moderate growth in resale home prices. The price of a resale home in Brantford is forecast to rise modestly to $239,000 this year.

Fewer homes listed

With fewer listings on the market, most of the homes that are put up for sale have sold in a shorter period of time. The sales-to-new listings ratio in the Hamilton CMA will remain high through 2012, as the shortage of product will mean more competition among buyers. Sales will continue to move quickly due to competitive offers, and a sellers' market will prevail for 2012. In the Brantford CMA, sales are also moving quicker due to a slight decline in the number of listings, and the market will remain at the higher end of a balanced market into 2013.

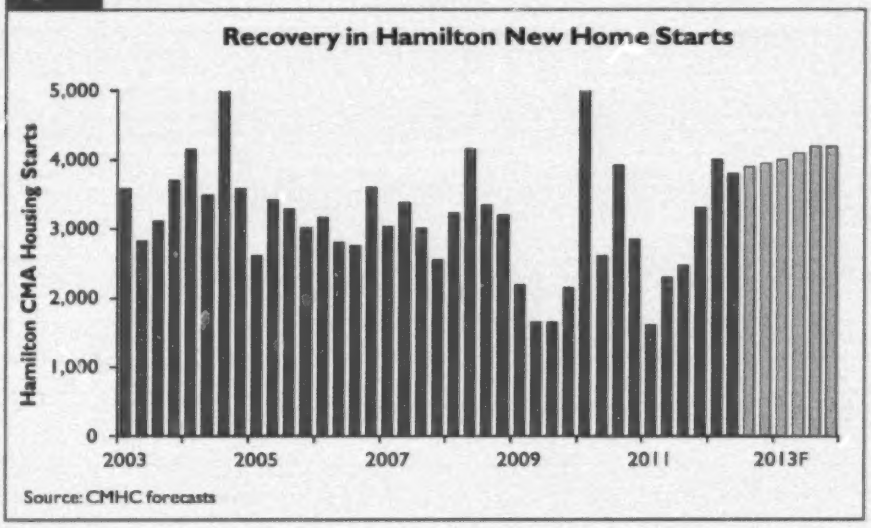
New Home Market

Rising prices support higher-density housing

Starts in the Hamilton and Brantford CMAs will continue to recover through 2013 in the Hamilton and Brantford CMAs. More semi-detached and townhouse starts in both markets, and new condominium apartments in the Hamilton CMA will lead the increase in starts in 2012. The relative affordability of these homes as compared to single-detached homes will attract many first time buyers who are constrained by moderate growth in incomes and simultaneously, the rising prices of new single-detached homes. Furthermore, limited land supply in some areas, disputed land titles, and provincial legislation that mandates intensification to support population growth will also mean a change to the distribution of new home starts. Builders will adapt to producing a greater share of higher-density development in response to the demand for lower-priced product and the need for intensification. However, single-detached homes remain a staple in the market, and in-migration from the GTA will support an increase in starts of these homes as well.

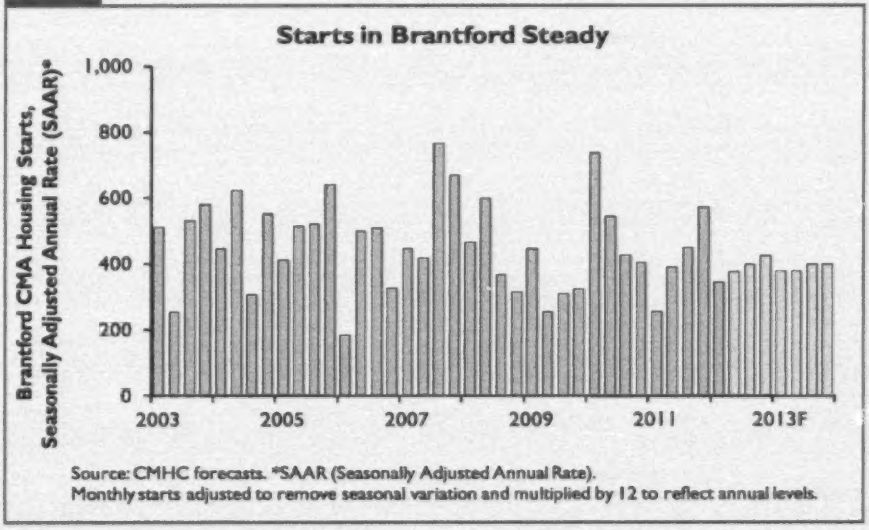
New home developments in the fringe areas of the City of Hamilton, including Stoney Creek, Waterdown, and Grimsby will capture many of the starts in 2012 in the Hamilton CMA. Many of the homes will be townhouses and semi-detached homes located in new subdivisions. Affordability of the homes in these areas as compared to some of the more expensive communities in the CMA and in the Greater Toronto Area will be an attractive feature for buyers looking to move up or move into their first homes. New condominium developments and conversions to condominiums in the city's core will also attract younger people and seniors, who are looking for a more convenient way to live. In Burlington, a shortage of land supply for residential development will continue to limit starts of single-detached homes. Apartments and townhouses will lead starts in Burlington, which will respond to the growing population. In the Brantford CMA, much of the higher-density development will be in the downtown core of the City of Brantford, which has been targeted to meet plans for intensification and growth. Meanwhile, in other parts of the City of Brantford and the County will continue to consist almost entirely of new single-detached

Figure 5



Source: CMHC forecasts

Figure 6

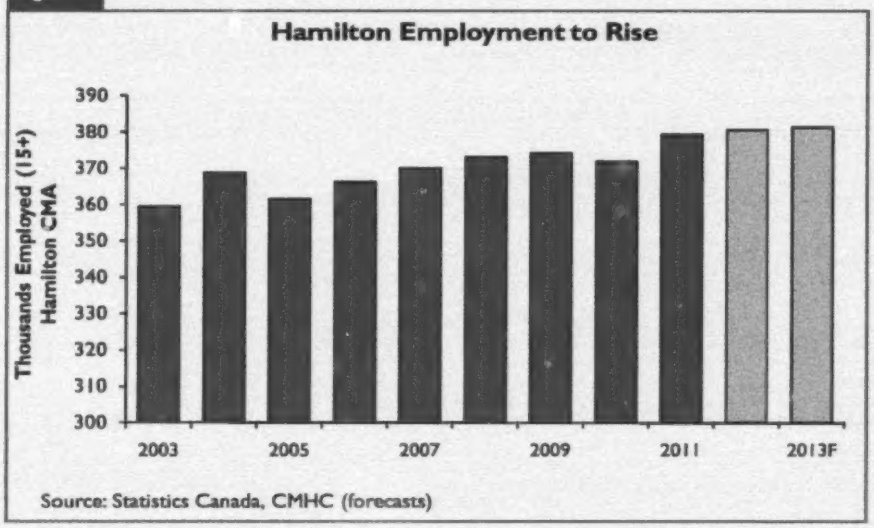


Source: CMHC forecasts. *SAAR (Seasonally Adjusted Annual Rate).
Monthly starts adjusted to remove seasonal variation and multiplied by 12 to reflect annual levels.

homes, which are still the stronghold of the Brantford CMA. With a forecast for population growth in both the Hamilton and Brantford CMAs, the proportion of semi-detached, townhouses, and apartments starts versus single-detached starts are expected to rise at a slow pace over the long term.

The high price tag of new single-detached homes will deter some buyers from purchasing this type of home. However because the average price will vary greatly by submarket, purchasing patterns will also vary. Buyers from the more expensive surrounding markets (particularly from the GTA) will also be drawn to the new home markets in both the Hamilton and Brantford CMAs. For the Hamilton CMA as a whole, the average price of a single-detached home is forecast to reach $525,000. More expensive homes in Burlington and Ancaster will skew the average price upwards. In contrast, some of the single-detached homes in the fringe areas of Waterdown and Glanbrook will have price tags below the average of the CMA. Likewise in the Brantford CMA, homes in the more rural Brant County neighbourhoods will be more expensive. Over a third of new single-detached homes sold in Brant County year to-date as of the end of April of this year was priced above $500,000. In comparison, 90 per cent of new single-detached homes sold in the City of Brantford were priced below $350,000. The average price of new single-detached homes for the Brantford CMA as a whole is forecast to rise by six per cent to reach $375,000 in 2012.

Figure 7



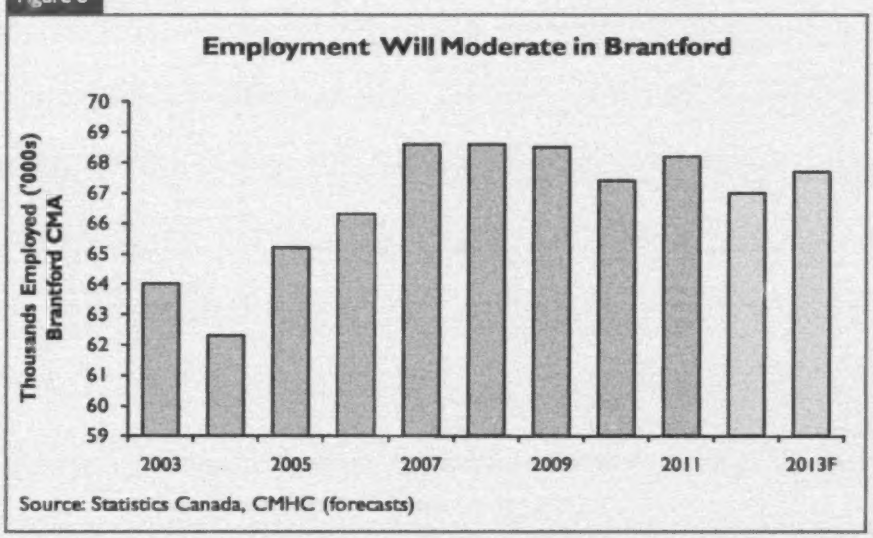
Source: Statistics Canada, CMHC (forecasts)

Local Economy

Moderate growth in job markets

Although several factors contribute to the condition of the housing market, full time employment growth is an important driver of housing demand. Employment in the Hamilton CMA is forecast to increase by under half a per cent in 2012, with a similar slow pace of growth in 2013. The job market in the Hamilton area continues to grow its non-manufacturing sectors and a diversified economy has had an impact on employment. For example, knowledge-sector jobs have resulted in better-paying jobs. However, some workers in the manufacturing sector are finding their jobs are being displaced in a technology-efficient economy. In addition, the

Figure 8



Source: Statistics Canada, CMHC (forecasts)

youth unemployment rate remains elevated. Offsetting the impact to the housing market however, is the influx of residents from the GTA, who are choosing to live in the Hamilton CMA, while commuting to work back in the big city. The unemployment rate in the Hamilton CMA is forecast to fall to 6.6 per cent in 2012.

In the Brantford CMA, youth employment remains high, and job losses in the manufacturing sector have declined to the lowest level since the late 1990s. As a result, total employment in the Brantford CMA is forecast to decrease by 2 per cent in 2012 as compared to last year.

Population growth and diversification of job sectors has not been sufficient to fill the needs of the unemployed, and many discouraged job seekers have exited the labour force altogether. The labour force is forecast to decline by two per cent.

Mortgage Rate Outlook

CMHC uses publically available information and the consensus among major Canadian forecasters as a basis for its interest rate forecast. Although there is significant uncertainty, consensus forecasts suggest that interest rates are not expected to rise until at least later in 2012, but will remain low by historical standards, thus supporting the Canadian housing market.

According to CMHC's base case scenario, posted mortgage rates will increase near the end of 2012. For 2012, the one-year posted mortgage rate is expected to be in the 3.1 to 3.6 per cent range, while the five-year posted mortgage rate is forecast to be within 5.0 to 5.4 per cent. For 2013, the one-year posted mortgage rate is expected to rise with interest rates and be in the 3.5 to 4.1 per cent range, while the five-year posted mortgage rate is forecast to be within 5.1 to 5.6 per cent.

Forecast SUMMARY Hamilton CMA Spring 2012	2009	2010	2011	2012f	% chg	2013f	% chg
Resale Market							
MLS® Sales	12 680	12 934	13 932	13 700	-1,7	13 900	1,5
MLS® New Listings	17 796	20 200	20 869	19 000	-9,0	19 500	2,6
MLS® Average Price ($)	290 946	311 683	333 498	341 000	2,2	347 500	1,9
New Home Market							
Starts:							
Single-Detached	899	1 753	1 370	1 470	7,3	1 525	3,7
Multiples	961	1 809	1 092	1 180	8,1	1 265	7,2
Semi-Detached	134	246	28	55	96,4	65	18,2
Row/Townhouse	473	933	675	625	-7,4	650	4,0
Apartments	354	630	389	500	28,5	550	10,0
Starts - Total	1 860	3 562	2 462	2 650	7,6	2 790	5,3
Average Price ($):							
Single-Detached	445 600	453 563	489 385	525 000	7,3	542 000	3,2
New Housing Price Index (% chg.)	-1,1	1,6	0,8	1,4	-	1,6	-
Rental Market							
October Vacancy Rate (%)	4,0	3,7	3,4	2,8	-0,6	2,6	-0,2
Two-bedroom Average Rent (October) ($)	831	862	884	900	-	925	-
Economic Overview							
Mortgage Rate (1 year) (%)	4,02	3,49	3,52	3,37	-	3,78	-
Mortgage Rate (5 year) (%)	5,63	5,61	5,37	5,26	-	5,37	-
Annual Employment Level	374 100	371 800	379 400	380 500	0,3	381 500	0,3
Employment Growth (%)	0,3	-0,6	2,0	0,3%	-	0,3%	-
Unemployment rate (%)	8,4	7,6	6,4	6,3	-	6,2	-
Net Migration	3 779	6 495	6 176	6 400	3,6	6 500 **	

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

Forecast SUMMARY Brantford CMA Spring 2012	2009	2010	2011	2012f	% chg	2013f	% chg
Resale Market							
MLS® Sales	1 884	2 086	1 971	1 930	0,5	1 925	-2,8
MLS® New Listings	3 321	3 409	3 311	3 260	-1,5	3 225	-1,1
MLS® Average Price ($)	220 369	229 678	237 283	239 000	0,7	243 000	1,7
New Home Market							
Starts:							
Single-Detached	258	280	231	240	3,9	245	2,1
Multiples	59	224	197	205	4,1	200	-2,4
Semi-Detached	14	10	4	15 **		10	-33,3
Row/Townhouse	42	143	116	145	25,0	140	-3,4
Apartments	3	71	61	45	-26,2	50	11,1
Starts - Total	317	504	428	440	2,8	475	8,0
Average Price ($):							
Single-Detached	282 081	346 660	353 197	375 000	6,2	390 000	4,0
New Housing Price Index (% chg.) (Ont.)	0,1	2,4	3,6	n.a.	-	n.a.	-
Rental Market							
October Vacancy Rate (%)	3,3	3,7	1,8	1,5	-0,3	1,5	0,0
Two-bedroom Average Rent (October) ($)	754	778	792	785	-	798	-
Economic Overview							
Mortgage Rate (1 year) (%)	4,02	3,49	3,52	3,37	-	3,78	-
Mortgage Rate (5 year) (%)	5,63	5,61	5,37	5,26	-	5,37	-
Annual Employment Level	68 500	67 400	68 200	67 000	-1,8	67 700	1,0
Employment Growth (%)	-0,1	-1,6	1,2	-1,8	-	1,0	-
Unemployment rate (%)	9,9	8,7	8,6	8,3	-	7,5	-
Net Migration	603	468	463	400	-13,6	450	12,5

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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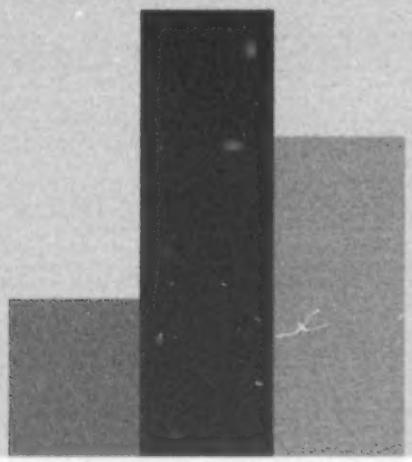

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